

# Real Estate Digest

800 Westchester Ave,  
Suite S-340  
Rye Brook, New York 10573  
Tel: (914) 381-6700  
Fax: (914) 381-3131



**The Judicial Title Insurance Agency LLC**

YOUR TITLE EXPERTS

Richard Giliotti  
President & Chief Operating Officer

888 Seventh Ave., Suite 300  
New York, NY 10106  
800-281-TITLE (8485)  
Tel: (212) 432-3272  
Fax: 800-FAX-9396



Title Company Edition

May • 2010

Volume 36 • Number 5



## Lending Thaw? Foreclosed Borrowers Getting Loans Again

**W**ill people who currently face foreclosure or short sales or who walk away from their underwater properties ever be able to get financing to buy another home down the road?

Industry observers say that while it may take some time, the situation is starting to turn around for many who find themselves in this predicament.

Because bankrupt borrowers have eliminated their debts, they are “attractive fodder for mortgage lenders,” says University of Michigan law professor John Pottow, whose specialty is bankruptcy.

As home prices and the mortgage market stabilize, lenders will be motivated to lend to people who previously had financial troubles if they look like they

can pay the next time around, says Alan Riegler, a consultant with CCG Catalyst, which advises banks.

“The agents and lenders who figure out how to do more of this case-by-case stuff cost-effectively are going to end up ahead of the pack,” Riegler says.

### Home-saving loans afoot

Pressure is also growing on U.S. banks to ease terms for distressed homeowners on home-equity loans and other second-lien mortgages.

Rep. Barney Frank, chairman of the House Financial Services Committee, said recently that banks’ reluctance to write down second mortgages is blocking efforts to reduce the first-lien mortgage balances of many borrowers who owe far more on their loans than the current values of

their homes. Because such “underwater” borrowers often feel little incentive to keep paying, “homeowners are increasingly deciding to walk away and thus foreclosures continue to mount,” he said.

Lack of cooperation from holders of second liens also can block short sales, in which the first-lien lender agrees to allow the home to be sold for less than the loan balance due to avoid a foreclosure. If the second-lien holder continues to press its claim against the borrower, the sale can fall through. The ensuing foreclosure is likely to be more costly for all the parties than a short sale would have been.

### Encouraging short sales

The Obama administration is hoping to help delinquent borrowers avoid foreclosure with a new program started last month. The program offers a cash payment to the homeowner, as well

as to the servicer and second-lien holder. And it protects borrowers from future lender lawsuits for the unpaid mortgage balance.

To curtail fraud, lenders have to consult real estate practitioners to assess home value and minimum acceptable offer; they then must accept any offer that is equal to or higher than that.

## MORTGAGES

### NAR & FHA Head Agree: Don't Raise Down Payments



Now is not the time to raise the down payment requirement on Federal Housing Administration loans, warned FHA Commissioner David Stevens.



Testifying before a committee of the U.S. House, Stevens said his agency would probably insure 300,000 fewer home loans per year if the mandatory down payment was raised from 3.5 percent to 5 percent—a 40 percent increase.

Congress has been considering various ways to put FHA on a sounder financial footing. Besides increasing the down payment requirement, another suggestion under discussion is raising the upfront mortgage insurance premium to 2.25 percent of the loan amount, up from 1.75 percent currently.

The NAR also opposes the proposal to raise the mandatory down payment for an FHA loan. The FHA remains financially strong because it has taken steps to ensure solid underwriting standards and responsible lending practices, said Charles McMillan, NAR immediate past president, in testimony before the House Subcommittee on Housing and Community Opportunity.

## TRENDS

### More Families Seeking Homes For Multiple Generation Members



An agent survey released by Coldwell Banker indicates that more buyers are looking for properties that can house multiple generations under one roof, apparently to save money.

About 37 percent of Coldwell Banker agents said there had been an increase in demand for homes to accommodate more than one generation and 70 percent are anticipating even more demand for larger homes this year.

About 39 percent said financial factors were the driving concern for most families, while 29 percent cited health concerns of a family member. About six percent claimed “strong family bond” as the reason multi-generation families were living together.

### Worried Home Sellers Abandoning FSBO Option

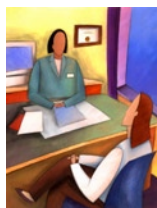


With the housing market mired in hard times, consumers appear to be turning to real estate professionals with increasing frequency, according to a survey by the California Association of Realtors.

The survey found that 99 percent of California sellers last year used the services of a real estate agent. Some 72 percent of those polled cited the ability of an agent to sell their home at a higher price, while 28 percent said they believed attempting to go FSBO would be too difficult.

More than 30 percent of sellers said they put their homes up for sale last year because of difficulty making mortgage payments.

### NAR Hoping Jobs Will Pick Up by Second Part of Year



With home sales increasing and prices rebounding in more than a handful of markets nationwide, the end of the slump may rest on the job market.

“The real question is what happens in the second half of the year. If there is sufficient job creation, housing can become self-sustaining with stable to modestly rising home prices because inventory has been trending downward,” said NAR Chief economist Lawrence Yun.

### Agents Expect to Spend Less on Marketing



Most real estate professionals anticipate reducing the amount they spend on marketing for the remainder of the year, according to a survey by real estate marketing researcher QuantumDigital.

While the survey showed that 49 percent of respondents believed they

should reinvest at least 10 percent of gross commissions back into marketing, a total of 65 percent said they were actually planning to reduce their marketing expenditures.

The survey also showed that 42 percent anticipate earning less than \$50,000 this year, 32 percent expected to earn between \$50,000 and \$100,000, and 19 percent expect to earn \$100,000 or more.

### Poll Shows Strong Support For Government Housing Initiatives



Americans remain strongly committed to federal support for homebuyers, according to a recent survey of U.S. households.

Roughly 68 percent of those polled said the government should continue to support housing, and 65 percent believe the government should be doing more to keep families from losing their homes to foreclosure.

The poll included both homeowners and renters and was conducted for the National Association of Home Builders by RT Strategies, a non-partisan public opinion polling firm based in Washington, D.C.

Among those polled, some key groups said the government should continue to play a vital role in maintaining a healthy housing market. For example, 78 percent of all potential homebuyers, including 81 percent of renters intending to buy a home in the near future, said the government should continue to support housing.

## MARKETS

### Boomers Ready For Retirement Housing



More than 78 million baby boomers, born between 1946 to 1964, will reach age 55 over the next 10 years. This group will



lead the housing industry out of its slump, according to John Migliaccio, director of research for MetLife's Mature Market organization.

Baby Boomers approaching retirement continue to be interested in buying into active-adult communities, but their moves have been slowed due to a decline in the value of both their retirement savings and their current homes. To encourage seniors to find a way, 51 percent of builders of active-adult housing cut prices in the third quarter of 2009—often as much as 25 percent or more—according to a survey by the National Association of Home Builders.

Practitioners point out that new isn't always best. Buying an existing home in an active adult community can be a particularly good deal because these communities have extensive amenities, including golf courses and gyms. Some new construction projects on which builders have trimmed prices are not nearly as well equipped.

## Casinos Help Vegas Workers Buy Homes



The Las Vegas Culinary Union, demonstrating the advantages of corporations working with employees toward home ownership, says it has helped hundreds of families buy homes in the current downturn in the housing market.

The union and casino companies, working to make sure modest-income workers could afford homes, created a fund that would help employees become homeowners.

So far, the union says, almost 200 families have used a total of \$1.1 million for down payment assistance. The fund is bolstered by contributions from the casinos and a matching grant from the Nevada state government.

### LAW

## Colorado Bill Would Allow Brokers to File Liens



The Colorado Legislature is considering a bill that would allow real estate brokers to put a

lien on property if the owner refuses to pay the contracted commission. Under the proposal, a broker would be required to give 30 days' notice of intent to file a lien and must attempt to mediate the dispute.

In writing the legislation, Rep. B.J. Nikkel, R-Loveland, said many real estate agents were being forced to work "for free" because parties in the transaction are either refusing or are unable to pay commissions.

"We are giving real estate agents a new tool to help them recover payment when they work for months and even years on a deal to earn a commission and never receive payment," he said.

## NAR Urges Government to Create Natural Disaster Insurance Plan



The National Association of Realtors is calling on Congress to create a comprehensive insurance plan for natural disasters that would include homeowners, insurance companies, state governments and the federal government and make each responsible for a share of losses.

Citing Hurricane Katrina as an example, former NAR President Charles McMillan told Congress, "Money would not have been paid by taxpayers had proactive federal policies and programs been in place to make property insurance more widely available and affordable."

He said a federal policy should:

- ✱ Ensure comprehensive insurance is available and affordable at premiums reflecting risk;
- ✱ Acknowledge personal responsibility of those living in high-risk areas to purchase adequate insurance;
- ✱ Provide owners incentives to undertake mitigation measures when appropriate;
- ✱ Acknowledge the importance of building codes and smart land-use decisions, stressing the importance of enforcement at the state and local levels.

## Housing Downturn Finding Its Way Into Divorce Court



The housing downturn has created a phenomenon in divorce courts—dividing couples trying to stick each other with the house, according to a report in *The Washington Examiner*.

The newspaper says many couples are divorcing because of financial strife, and being upside down on the house is often the focus of that strife.

"Instead of fighting over the house, we're fighting over who gets stuck with it," Steve Halbert, 57, an Arlington, Va., homeowner going through a divorce, told the newspaper.

"We thought we'd be walking away with hundreds of thousands of dollars in equity. But there is no equity."

### AGENTS' CORNER

## How to Make the Most Of Your Direct Marketing Campaign



Real estate professionals know that direct marketing is one of the best methods of marketing to both

new and existing customers. But it can be expensive when you consider the cost of lists, printed materials and mailing. To get the most out of your campaign, here are several key points to remember.

**1 Build the Correct List.** Narrowing down a list from an online source, for example, is very simple if you understand upfront the demographic that you think you might have the best chance of turning into a customer. If you aren't sure which demographic to focus on, think of your core group of customers and decide which categories they would best fit into, such as income levels, gender, age, marital status, length of residence, home ownership and location. Once you determine which audiences you are most successful with, you can continue to market to them, while expanding into other

areas and demographics.

Don't be afraid to test new demographics from time to time, because you may find an untapped market. Many mailing services allow you to upload your own list or rent a list from them that has been tailored to your demographics, and then send out your marketing piece all from one place.

**2 Ensure the Marketing Piece Is Effective.** The standout nature of your postcard or brochure can't be understated, or it will get lost with all the other mail that your target audience receives. Not only does it have to be noticeable and bold in terms of color, text and appeal, but it also has to have a clear call to action and an offer that potential customers will act upon. For example, why should they buy or sell a house with you? Or display examples of recent successes or the current top properties that you are showing.

It's also important that the marketing piece is unique and clearly represents your brand. Including graphics and your company logo or photograph adds a nice touch, and, used properly, will start to generate brand awareness for your small business.

**3 Keep It Going, Keep It Consistent.** Most consumers need to hear from an agent multiple times before they decide to act.

Don't expect one mailing to do it all for you. Build a contact plan to make sure that customers see your message multiple times—focusing on the time of year when they are most likely to use your services. This will make it more likely that you are in their list of consideration set when they are ready to take action.

**4 Test, Test, Test.** In order to make multiple mailings truly effective, remember to track your results and test different options. Testing is every direct marketer's best weapon because it lets you determine what works and what doesn't so you can learn for the next campaign and use your direct marketing dollars most effectively. In fact, every direct marketer should learn from every single mailing so results improve with each successive.

Testing doesn't have to be difficult, or extensive. Start by testing different audiences to find the right target demographic. Once you have a good list to work with, test different copy, images and designs. Then, test the format of the piece to determine, for example, if envelopes work better than self-mailers. Once you've tested for the most effective, most reliable kinds of marketing programs, no matter how small, you can continue to roll them out time after time, stay top of mind and continue to generate business.



**SMART'S**  
PUBLISHING

The information presented and conclusions stated in this newsletter are based solely upon our best judgement and analysis of information sources. It is not guaranteed information and is not necessarily a complete statement of all available data. Web site citations are current at time of publication but subject to change. This material may not be quoted or reproduced in any form, including copy machines or any electronic storage or transmission medium, in whole or in part, without permission from the publisher. A special edition of Real Estate Digest is available for real estate agents specializing in commercial property or high-end residential, and for mortgage brokers. Please call 866-762-7879 to order your personalized copies today.

All rights reserved.

©2010 Smart's Publishing  
PO Box 276 • Ashland, Oregon, 97520  
[www.smartspublishing.com](http://www.smartspublishing.com)  
866-762-7879

## Judicial Title



**YOUR TITLE EXPERTS**

800 Westchester Ave,  
Suite S-340  
Rye Brook, New York 10573

Presorted STD  
U.S. Postage  
**PAID**  
Permit #125  
Medford, OR